



January 20, 2006

SENATE BILL No. 323

DIGEST OF SB 323 (Updated January 19, 2006 8:30 am - DI 71)

Citations Affected: IC 21-10; noncode.

Synopsis: Allocation of school resources. Requires the state board of education annually to: (1) analyze state statutes, rules, policies, and relationships to determine those that restrict school corporations and public schools from allocating resources to, and focusing efforts on, student instruction and learning; and (2) report the results of the analysis to the state superintendent of public instruction, the general assembly, and the governor. Allows school corporations to undertake certain actions to save money in nonacademic areas and reallocate the saved money to student instruction and learning. Requires the department of education and the state board of education to develop a plan to upgrade the financial management, analysis, and reporting system for school corporations and schools.

Effective: July 1, 2006.

Lubbers

January 10, 2006, read first time and referred to Committee on Education and Career Development.
January 19, 2006, amended, reported favorably — Do Pass.

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SB 323—LS 7022/DI 71+



January 20, 2006

Second Regular Session 114th General Assembly (2006)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2005 Regular Session of the General Assembly.

SENATE BILL No. 323

A BILL FOR AN ACT to amend the Indiana Code concerning education.

Be it enacted by the General Assembly of the State of Indiana:

1 SECTION 1. IC 21-10 IS ADDED TO THE INDIANA CODE AS
2 A **NEW** ARTICLE TO READ AS FOLLOWS [EFFECTIVE JULY 1,
3 2006]:

4 **ARTICLE 10. ALLOCATION OF EXPENDITURES TO**
5 **STUDENT INSTRUCTION AND LEARNING**

6 **Chapter 1. Purposes and General Provisions**

7 **Sec. 1. This article has the following purposes:**

8 (1) To maximize the allocation and use of taxpayer provided
9 resources by school corporations and schools for student
10 instruction and learning.

11 (2) To confirm the authority of school corporations to use a
12 variety of methods to reduce the costs of acquisition of
13 products and services.

14 (3) To instruct the state board to oversee the consideration of
15 statewide means to acquire products and services.

16 (4) To provide a means for school corporations to access
17 technical assistance and other support in the consideration of

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means to increase the allocation of resources to student instruction and learning.

(5) To recognize school corporations that achieve effective allocation of resources to student instruction and learning.

Sec. 2. The definitions in IC 20 apply to this article.

Chapter 2. Authority to Allocate Expenditures to Student Instruction and Learning

Sec. 1. A school corporation individually, in collaboration with other school corporations, and through the educational services centers may undertake action to reduce noninstructional expenditures and allocate the resulting savings to student instruction and learning. Actions taken under this section include the following:

(1) Pooling of resources with other school corporations or units of government for liability insurance, property and casualty insurance, worker's compensation insurance, employee health insurance, vision insurance, dental insurance, or other insurance, whether by pooling assets for coverage or for the purchase of coverage, or by the creation of or participation in insurance trusts. The following apply to this subdivision:

(A) School corporations that elect to pool assets for coverage must create a trust for the assets. The trust is subject to regulation by the department of insurance as follows:

(i) The trust must register with the department of insurance.

(ii) The trust shall obtain stop-loss insurance issued by an insurer authorized to do business with an aggregate retention of not more than one hundred twenty-five percent (125%) of the amount of expected claims for the following year.

(iii) Contributions by the school corporations must be set to fund one hundred percent (100%) of the aggregate retention plus all other costs of the trust.

(iv) The trust shall maintain a fidelity bond in an amount approved by the department of insurance, covering each person responsible for the trust, to protect against acts of fraud or dishonesty in servicing the trust.

(v) The trust is subject to IC 27-4-1-4.5 regarding claims settlement practices.

(vi) The trust shall file an annual financial statement in

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the form required by IC 27-1-3-13 by March 1.

(vii) The trust is not covered by the Indiana insurance guaranty fund created under IC 27-6-8. The liability of each school corporation is joint and several.

(viii) The trust is subject to examination by the department of insurance. All costs associated with an examination shall be borne by the trust.

(ix) The department of insurance may deny, suspend, or revoke the registration of a trust if the commissioner finds that the trust is in a hazardous financial condition, the trust refuses to be examined or produce records for examination, or the trust has failed to pay a final judgment rendered against the trust by a court within thirty (30) days.

(B) The department of insurance may adopt rules under IC 4-22-2 to implement this subdivision.

(2) Each school corporation, and more than one (1) school corporation acting jointly, may be considered a single purchaser of natural gas energy by the school corporation's or school corporations' natural gas utility provider to qualify to purchase natural gas from any available natural gas seller. A rate schedule that is:

(A) filed by a natural gas utility; and

(B) approved by the Indiana utility regulatory commission; must include provisions that allow a school corporation or school corporations acting jointly to elect to be billed as a single purchaser of natural gas energy under reasonable terms and conditions.

(3) Consolidating purchases with other school corporations or units of government of the following:

(A) School buses and other vehicles and vehicle fleets.

(B) Fuel, maintenance, or other services for vehicles or vehicle fleets.

(C) Food services.

(D) Facilities management services.

(E) Transportation management services.

(F) Textbooks, technology, and other school materials and supplies.

(G) Any other purchases a school corporation may require. Purchases may be made by contiguous school corporations, as part of regional consolidated purchasing arrangements, or from consolidated sources under multistate cooperative

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bidding arrangements.

Sec. 2. A school corporation may use shared services arrangements with other school corporations and units of government, including:

(1) the use of shared administrative services overseeing transportation, food service, facilities, or other operations;

(2) the use of shared administrative services to manage finance, payroll, human resources, information technology, purchasing, or other administrative services; and

(3) the use of shared resources to provide instruction, supplemental services, extracurricular activities, or other student services.

School corporations are not required to merge schools, consolidate, or otherwise relinquish control of curriculum, instruction, or student activities to use shared services arrangements.

Sec. 3. A school corporation may collaborate with contiguous school corporations to explore the use of cooperatives among school corporations, commonly managed school corporations, or the consolidation of school corporations to provide effective and efficient management of the school corporations or functions of the school corporations.

Sec. 4. (a) Educational service centers established under IC 20-20-1 shall support and facilitate actions by school corporations under this article, including by the use of an educational service center's existing cooperative agreements.

(b) School corporations and educational service centers may use the division of finance of the department and the office of management and budget to provide technical assistance under this article.

(c) Not later than August 31 of each year, the educational service centers shall report to the state board the results of the efforts of the educational service centers under this article during the preceding school year.

Chapter 3. State Board Action

Sec. 1. The state board shall explore methods, including statewide purchases, to reduce the expense to school corporations for the purchase of the following:

(1) Textbooks.

(2) Technology.

(3) School buses and other vehicles.

(4) Other areas of expenses as determined by the state board.

Sec. 2. The state board, assisted by the educational service

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centers, the division of finance of the department, and the office of management and budget, shall survey annually the school corporations to determine actions taken by the school corporations to allocate resources to student instruction and learning. The state board shall issue an annual report of actions taken to:

- (1) each school corporation;
- (2) the public; and
- (3) the general assembly.

The report to the general assembly must be submitted to the executive director of the legislative services agency in an electronic format under IC 5-14-6.

Sec. 3. Not later than November 1 of each year, the state board, assisted by the office of management and budget and school corporation officials, shall submit a report to the state superintendent, the governor, and the general assembly concerning the following:

- (1) Consolidated purchasing arrangements used by multiple school corporations, through educational services, and in the state as a whole.
- (2) Shared services arrangements used by multiple school corporations, through educational service centers, and in the state as a whole.
- (3) The efforts of school corporations to explore cooperatives, common management, or consolidations.

The report to the general assembly must be submitted to the executive director of the legislative services agency in an electronic format under IC 5-14-6.

Sec. 4. (a) The state board, assisted by the office of management and budget, the division of finance of the department, and school corporation officials, shall analyze each school corporation's expenses for the 2004-2005 and 2005-2006 school years to determine how much each school corporation spent, from whatever source, directly or indirectly, on the following categories of expenditures:

- (1) Student academic achievement expenditures.
- (2) Student instructional support expenditures.
- (3) Overhead and operational expenditures.
- (4) Nonoperational expenditures.

The state board shall determine the types of expenses that are included in each category set forth in subdivisions (1) through (4). The sum of all expenditures under subdivisions (1) through (4) by a school corporation must equal the total amount of expenditures

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by the school corporation for the year being analyzed.

(b) The state board's analysis under subsection (a) may include relevant trend line data for school years before the 2004-2005 school year.

(c) Not later than December 31, 2006, the state board shall report the results of the analysis under subsection (a) to the state superintendent, the governor, and the general assembly. The report to the general assembly must be submitted to the executive director of the legislative services agency in an electronic format under IC 5-14-6.

Sec. 5. (a) Beginning with the 2006-2007 school year, and using the 2005-2006 school year as a baseline:

(1) the office of management and budget shall analyze and report to the state board, the governor, and the general assembly concerning the progress or lack of progress of each school corporation, all school corporations in each educational service center's area, and in the state as a whole in improving the ratio of student instructional expenditure to all other expenditures for the previous school year;

(2) the state board shall recognize publicly each school corporation and educational service center that has an improved ratio of student instructional expenditures to all other expenditures during the previous school year;

(3) the office of management and budget and the division of finance of the department shall be available to consult with and provide technical assistance to each school corporation that did not have an improved ratio of student instructional expenditures to all other expenditures during the previous school year; and

(4) each school corporation shall report to the public in the school corporation's annual performance report and to the members of the general assembly whose districts include the school corporation:

(A) the percentage of resources spent by the school corporation during the previous school year on each category of expenditures set forth in section 4 of this chapter;

(B) the trend line for each category of expenditures set forth in section 4 of this chapter for the school corporation during the previous school year; and

(C) whether the school corporation did or did not make progress in improving the ratio of student instructional

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1 expenditures to all other expenditures during the previous
2 school year.

3 (b) The reports to the general assembly under subdivision (a)(1)
4 and to individual members of the general assembly under
5 subdivision (a)(4) must be submitted to the executive director of
6 the legislative services agency in an electronic format under
7 IC 5-14-6.

8 Sec. 6. Beginning with the 2007-2008 school year, the state
9 board shall:

10 (1) establish goals for each category of expenditures set forth
11 in section 4 of this chapter that will place:

12 (A) the school corporations in Indiana; and

13 (B) Indiana;

14 among the school corporations and states that are most
15 effective at the allocation of taxpayer resources directly to
16 student instruction and learning; and

17 (2) recognize and reward the school corporations that achieve
18 the goals described in subdivision (1).

19 SECTION 2. [EFFECTIVE JULY 1, 2006] (a) The definitions in
20 IC 20 apply to this SECTION.

21 (b) Not later than August 31, 2006:

22 (1) the department shall develop; and

23 (2) the state board shall review and may modify;

24 a plan to upgrade the financial management, analysis, and
25 reporting system for school corporations and schools.

26 (c) The plan developed under subsection (b) must:

27 (1) provide the use of generally accepted accounting principles
28 and a unified income and expense statement and balance
29 sheet;

30 (2) provide school corporations and schools the ability to
31 track expenditures individually and according to the
32 expenditure category under IC 21-10-3-4, as added by this act,
33 the program under which the expenses was incurred, and the
34 school building where the expense was incurred;

35 (3) provide real time or other timely access to expenditures,
36 and across functions, schools, and school corporations; and

37 (4) enable periodic and annual analysis and reporting to the
38 leadership of a school, the superintendent and governing body
39 of a school corporation, the general public, the department,
40 the state board, the governor, and the general assembly.

41 (d) In developing the plan under subsection (b), the department,
42 following approval by and under the direction of the state board,

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1 shall:

2 (1) use the assistance of the state board of accounts, the
3 division of finance of the department, the division of
4 technology of the department, the office of management and
5 budget, and external consultants and advisers the state board
6 determines are necessary;

7 (2) provide the opportunity for input from governing bodies,
8 superintendents, and other interested parties;

9 (3) consider existing financial management, analysis, and
10 reporting systems and technology in use in school
11 corporations and in other states;

12 (4) take into account the need for training personnel in school
13 corporations in the use of the system, including a plan for the
14 department to work with the officials in each school
15 corporation who are responsible for the management of the
16 school corporation's finance, organizations, and other
17 resources to create programs and curricula to develop the
18 officials' financial management skills and abilities as well as
19 train them in the use of the system; and

20 (5) identify any amendments to the Indiana Code that are
21 necessary to implement specific provisions of the plan.

22 (e) Not later than October 1, 2006, the department and the state
23 board shall submit the plan developed under subsection (b) to the
24 governor and the general assembly. The report to the general
25 assembly must be submitted to the executive director of the
26 legislative services agency in an electronic format under IC 5-14-6.

27 (f) This SECTION expires December 31, 2008.

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COMMITTEE REPORT

Madam President: The Senate Committee on Education and Career Development, to which was referred Senate Bill No. 323, has had the same under consideration and begs leave to report the same back to the Senate with the recommendation that said bill be AMENDED as follows:

Page 1, delete lines 1 through 17.

Page 2, delete lines 1 through 25.

Page 3, line 20, after "trusts." insert **"The following apply to this subdivision:**

(A) School corporations that elect to pool assets for coverage must create a trust for the assets. The trust is subject to regulation by the department of insurance as follows:

(i) The trust must register with the department of insurance.

(ii) The trust shall obtain stop-loss insurance issued by an insurer authorized to do business with an aggregate retention of not more than one hundred twenty-five percent (125%) of the amount of expected claims for the following year.

(iii) Contributions by the school corporations must be set to fund one hundred percent (100%) of the aggregate retention plus all other costs of the trust.

(iv) The trust shall maintain a fidelity bond in an amount approved by the department of insurance, covering each person responsible for the trust, to protect against acts of fraud or dishonesty in servicing the trust.

(v) The trust is subject to IC 27-4-1-4.5 regarding claims settlement practices.

(vi) The trust shall file an annual financial statement in the form required by IC 27-1-3-13 by March 1.

(vii) The trust is not covered by the Indiana insurance guaranty fund created under IC 27-6-8. The liability of each school corporation is joint and several.

(viii) The trust is subject to examination by the department of insurance. All costs associated with an examination shall be borne by the trust.

(ix) The department of insurance may deny, suspend, or revoke the registration of a trust if the commissioner finds that the trust is in a hazardous financial condition, the trust refuses to be examined or produce records for

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examination, or the trust has failed to pay a final judgment rendered against the trust by a court within thirty (30) days.

(B) The department of insurance may adopt rules under IC 4-22-2 to implement this subdivision.

(2) Each school corporation, and more than one (1) school corporation acting jointly, may be considered a single purchaser of natural gas energy by the school corporation's or school corporations' natural gas utility provider to qualify to purchase natural gas from any available natural gas seller. A rate schedule that is:

(A) filed by a natural gas utility; and

(B) approved by the Indiana utility regulatory commission; must include provisions that allow a school corporation or school corporations acting jointly to elect to be billed as a single purchaser of natural gas energy under reasonable terms and conditions."

Page 3, line 21, delete "(2)" and insert "(3)".

Page 3, delete lines 26 through 28.

Page 3, line 29, delete "(D)" and insert "(C)".

Page 3, line 30, delete "(E)" and insert "(D)".

Page 3, line 30, delete "maintenance" and insert "**management**".

Page 3, line 31, delete "(F)" and insert "(E)".

Page 3, line 32, delete "(G)" and insert "(F)".

Page 3, line 34, delete "(H)" and insert "(G)".

Page 4, line 1, delete "facilities maintenance," and insert "**facilities,**".

Page 4, line 14, delete "clusters of".

Page 4, line 22, delete "An" and insert "**School corporations and**".

Page 4, line 22, delete "center" and insert "**centers**".

Page 4, line 24, delete "for school corporation actions".

Page 4, line 40, delete "periodically" and insert "**annually**".

Page 5, line 9, delete "budget," and insert "**budget and school corporation officials,**".

Page 5, line 19, delete "clusters," and insert "**common management,**".

Page 5, line 24, delete "budget and" and insert "**budget,**".

Page 5, line 24, after "department," insert "**and school corporation officials,**".

Page 5, line 29, delete "instructional activities expenditures, specifying all" and insert "**academic achievement expenditures.**".

Page 5, delete lines 30 through 32.

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Page 5, line 33, delete "expenditures, including all" and insert **"expenditures."**.

Page 5, delete lines 34 through 35.

Page 5, line 36, delete "Operational expenditures, including all sums spent on or" and insert **"Overhead and operational expenditures."**.

Page 5, delete line 37.

Page 5, line 38, delete "expenditures, including all sums spent on" and insert **"expenditures."**.

Page 5, delete lines 39 through 40.

Page 6, line 7, delete "November 1," and insert **"December 31,"**.

Page 6, line 22, after "recognize" insert **"publicly"**.

Page 6, line 26, after "budget" insert **"and the division of finance of the department"**.

Page 6, line 26, after "shall" insert **"be available to"**.

Page 6, line 31, after "public" insert **"in the school corporation's annual performance report"**.

Page 8, line 13, delete "system;" and insert **"system, including a plan for the department to work with the officials in each school corporation who are responsible for the management of the school corporation's finance, organizations, and other resources to create programs and curricula to develop the officials' financial management skills and abilities as well as train them in the use of the system;"**.

Page 8, delete lines 21 through 25.

Page 8, line 26, delete "(g)" and insert **"(f)"**.

Renumber all SECTIONS consecutively.

and when so amended that said bill do pass.

(Reference is to SB 323 as introduced.)

LUBBERS, Chairperson

Committee Vote: Yeas 6, Nays 0.

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